

DEPARTMENT OF STATE

'86 JUN -5 P12

WASHFAX RECEIPT

DEPARTMENT OF STATE

B

S/S #

JUN 3 12 58 PM '86

*A*MESSAGE NO. 008330 CLASSIFICATION CONF No. Pages 5FROM: Ralph Boyce T x77888 1206
(Officer name) (Office symbol) (Extension) (Room number)MESSAGE DESCRIPTION Draft Platt-Poindexter Memo

TO: (Agency)

DELIVER TO:

Extension

Room No.

NSC

Steve Farrar

395-3543

365 OEB

CIA

7E44

STAT

FOR: ☒ CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☐ COMMENT ☐REMARKS: Clearance needed by 3:00 p.m. 6/5S/S Officer: *RPM*

Coordinated
by phone 6/5.
No problems
with it.

FORM DS-1760

**MEMORANDUM FOR VADM JOHN M. POINDEXTER
THE WHITE HOUSE**

**Subject: Senior Interdepartmental Group on
International Affairs Funding for FY 1987**

As directed in your memorandum of May 29, Deputy Secretary Whitehead convened a SIG on May 30 and June 3. These meetings focused on a strategy for reversing the cuts made in the Budget Resolutions, and for dealing with the upcoming budget conference and 302(b) allocation. Subsequent sessions will deal with our strategy in the appropriations process.

The Budget - A Damage Assessment

The agencies represented at the SIG agreed that we have a major crisis in funding for our international affairs activities in FY 1987. Both the Senate and House versions of the budget resolution sharply reduce the President's \$22.6 billion request for Function 150. Both Senate and House rejected the President's request for a 10 percent increase over the enacted, post-sequester FY 1986 baseline and began instead with a straightlined "freeze base." The Senate then made further reductions in development assistance, Foreign Military Sales credits, foreign information activities, and the Inman Diplomatic Security Program. The House made even larger cuts from the "freeze base," reducing most programs by 4.2 percent, cutting foreign aid a further 14.4 percent, and then adding a final 2.5 percent reduction across the board. Within this smaller aggregate total for the function, however, the House did allow virtually the entire request for the Inman program. Both versions included over a billion dollars for Export-Import Bank direct loans, which were not part of the Administration's request. The Senate aggregate for Function 150 is \$17.9 billion and the House total is \$17.0 billion.

Even at the higher Senate level, we would have to make significant policy choices. After funding our highest priority commitments to Israel and Egypt, the base rights countries, Pakistan, and Central America, and after allowing for the Export-Import Bank add-on, the shortfall in the rest of our foreign affairs programs is on the order of fifty percent. If we are to meet these priority country program requirements, we will have to curtail sharply our activities in East Asia, Africa, South America and the Caribbean.

CONFIDENTIAL

CONFIDENTIAL

-2-

The Administration's Response: A Two-Track Approach

To date, the Administration has not been engaged in the Congressional budget actions. We have supported the President's request and declined to compromise with the budget committees. Underlying this approach was an expectation that the budget resolution process would never reach consensus. This may still be the case, since the House and Senate are far apart, particularly on defense spending. Now that each body has passed its own resolution, however, the numbers have assumed a certain status. Even if the budget conference fails to reach a consensus, each Appropriations Committee is likely to begin mark-ups based on its own set of 302(b) allocations derived from that body's version of the budget resolution.

The agencies represented at the SIG recommend that the Administration now become actively engaged in the budget and appropriations process. They recommend a two-track approach.

The first track would build upon the momentum which Secretary Shultz has generated to date with his press briefings and public statements criticizing the Congress for underfunding international affairs programs. We have garnered significant media attention and numerous favorable editorials and op-ed pieces by detailing the policy costs associated with recent congressional budget actions. This campaign should be pressed at the highest levels, taking as its theme the fact that we have produced a strong and vibrant foreign policy over the past five years, and now risk jeopardizing and reversing these gains through unwise budgetary action. Our strongest point will be to explain the consequences of cuts of the magnitude proposed, and to shift attention from aggregate numbers and percentages to real programs that would need to be eliminated. Each agency is providing specific examples of programs that would likely be cut, which could be used to illustrate graphically to the public and to the Congress what is at stake.

In addition, we should mobilize those constituencies and interest groups which support foreign assistance to help us make the case that funding reductions of these magnitude are irresponsible and will make it impossible to pursue the President's basic foreign policy objectives.

The second track would seek to engage the Congressional process at each crucial decision point in order to prevent further damage to our interests.

CONFIDENTIAL

CONFIDENTIAL

-3-

The Budget Conference

The first decision point in the process is likely to be the budget conference, scheduled to begin this week. We have a problem in deciding what to support in the budget conference - the Senate version is larger in the aggregate and generally superior in every account with three exceptions:

(1) the Inman Diplomatic Security Initiative -- the Senate does not allow enough outlays even to accommodate the modified Inman package recommended by the Senate Appropriations Committee in the FY 1986 Urgent Supplemental.

(2) USIA -- the House version is more favorable, although it still falls \$80 million short of the 1986 freeze level -- the minimum judged necessary by USIA to conduct its operations

(3) Board for International Broadcasting (BIB) -- again the House version is also more favorable, although it is about \$50 million below the level BIB requires to keep Radio Free Europe/Radio Liberty, Inc. from declaring bankruptcy.

Our obvious approach should be to support the Senate version and seek additional outlays from outside Function 150 to cover Inman, USIA, and BIB. This would entail a functional total higher than either of the two versions, which will be difficult to achieve.

If in the end we must live within the Senate aggregate, the SIG recommends that we try to influence the process in a manner that would protect the Inman program and the programs of USIA and BIB, if necessary at the expense of foreign assistance. Secretary Shultz believes that our first priority should be to maintain the integrity of our organizations. By protecting the operating bases of State, A.I.D., U.S.I.A., and B.I.R., and by continuing our security enhancement programs, we preserve the underpinning of policy without which our foreign aid program could not survive under the best of funding scenarios.

With these concerns in mind, the SIG recommends a legislative strategy for the budget conference which would involve:

(1) The immediate release of the Presidential letter to Chairmen Domenici and Gray, which should attract considerable press and public attention to the foreign policy implications of reductions in the 150 function.

CONFIDENTIAL

CONFIDENTIAL

-4-

(2) A Secretary Shultz phone call to Chairman Domenici which would underscore the importance of not reducing the Senate aggregate in conference. The Secretary would also convey our position concerning additional outlays for Inman, U.S.I.A. and B.I.B..

(3) A Secretary Baker phone call to Chairman Gray to encourage the House to accede to Senate level for Function 150.

The 302(b) Allocation Process

If there is an overall settlement on the budget, we will have to move quickly to ascertain what the exact 302(b) divisions of the budget resolution should be for our three subcommittees (Foreign Operations; Commerce, State and Justice; and Agriculture). At that point, our immediate task will be to ensure a fair allocation of those amounts, given the traditional propensity to poach from Function 150 accounts to benefit other programs. The key action will be to encourage House Appropriations Committee Chairman Jamie Whitten to allocate the full amount to each subcommittee. The SIG recommends that _____ contact Chairman Whitten in an attempt to achieve this objective.

The SIG recommends that Secretary Shultz call Senate Appropriations Committee Chairman Mark Hatfield with the same message. We do not anticipate as much difficulty in the 302(b) process on the Senate side, but feel it is important to touch base with the Chairman.

Finally, appropriate senior Administration officials should call Appropriations subcommittee Chairmen Ohey, Smith, Kasten and Rudman to encourage them to seek a fair 302(b) process in full committee.

If there is no budget resolution

The differences between the House and Senate on defense, taxes and other issues may make a settlement of the budget resolution impossible. If the conference bogs down, the Appropriations subcommittees will begin marking up based on their separate budget resolutions' notional 302(b) allocations. In the 150 area, the first likely subcommittee to do so will be the Ohey subcommittee (House Foreign Operations), perhaps as early as next week. In that event, the SIG will reconvene to recommend an Administration posture for that mark-up and beyond.

Nicholas Platt
Executive Secretary
CONFIDENTIAL

CONFIDENTIAL

-5-

Drafted: T:RBoyce:lf 6/5/86 X77888

Clearances: State/D:JTimbie
State/M:RFeldman
State/H:JDyer
AID/LEG:KKammerer
AID/PPC:JHunmon
USIA:SSilverman
BIB:PSchleuter
OMB:PDuSault
NSC:SFarrar
Peace Corps:LRuppe
Eximbank:JBohn

Treasury:JConro
DOD/DSAA:PGast

25X1

CONFIDENTIAL